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Retail Food Sector

Report

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Report Highlights:

In 2006, Peru's total food retail sales are estimated to reach almost \$6.0 billion, 85 percent of which is concentrated in Lima. Currently, supermarkets represent only 28 percent of the retail market share in Lima, but they are forecast to reach 35 percent by 2008. The implementation of the U.S. - Peru Trade Promotion Agreement, supported by favorable market conditions in Peru, will have a significant impact on U.S. food exports for the retail market.

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Section I. Market Summary

Over the past decade, the Peruvian economy has been transformed by market-oriented reforms, establishing many conditions for sustained long-term growth. Peru's economy is one of the most vibrant in Latin America. Inflation was 3.9 percent in 2007, with MEF expecting them to increase slightly this year. Gross Domestic Product (GDP) grew 9 percent in 2007 after expanding 7.5 percent in 2006, with GDP reaching \$101.7 billion in 2007. GDP growth is widely distributed, with strong performance in construction, mining, retail services, manufacturing, foreign investment, domestic demand and exports.

According to Peru's customs data, total consumer-oriented food imports reached \$466 million in 2007, growing 23 percent over 2006. The U.S. was the third largest supplier (\$55 million), with 12 percent of the market share, facing stiff competition from Chile, Colombia and Argentina (26, 13 and 10 percent, respectively).

In 2007, Peru's total food retail market reached almost \$6.0 billion, 85 percent of which is concentrated in Lima. Supermarket chains reached \$1.5 billion in food sales, growing 25 percent with respect to 2006. These chains accounted for 28 percent of the retail market share in Lima and, for 2008, they are forecast to increase to 35 percent.

Retail Food Sales by Sub-sector in Lima (million dollars)

| Sub-Sector | 2004 | 2005 | 2006 | 2007 |
|--|--------------|--------------|--------------|-------------|
| Supermarkets and hypermarkets | 1,000 | 1,100 | 1,200 | 1,560 |
| Traditional Markets (grocery stores, open markets and gas marts) | 3,443 | 3,546 | 3,900 | 4,390 |
| Total | 4,443 | 4,646 | 5,100 | 5950 |

Source: Estimated values based on El Comercio and Gestion newspapers

Lima is the major market for consumer-oriented foods, with almost one-third of Peru's total population and more than 60 percent of the national income. The target market for supermarkets in Lima is divided into high and middle-income families (1.8 million inhabitants) and low-income families (6.2 million inhabitants), whose average incomes per month are \$1,120 and \$250, respectively. Supermarkets identified the low-income groups to be of great potential for future expansion.

Wong and Supermercados Peruanos are the two major supermarket chains, holding 60 percent and 28 percent of the supermarket market share, respectively, and the newest Tottus Hypermarkets holds 12 percent.

The U.S. – Peru Trade Promotion Agreement (PTPA) will immediately provide duty free access for two-thirds of U.S. food and agricultural products. The PTPA, supported by continued favorable market conditions in Peru, could significantly expand U.S. food exports in the retail market for snacks, fruit and vegetable juices, fresh fruits (especially pears, apples and grapes), canned fruits and vegetables, dairy products (especially cheeses), beef and poultry meats and their products, wines and liquors and pet foods.

Social factors that affect consumer-ready product demand in Peru include urban expansion, especially in the suburbs of Lima, increased participation of women in the workforce (38 percent), high percentage of young population, and exposure to product supply information through the media.

Advantages and Challenges Facing U.S. Products in Peru

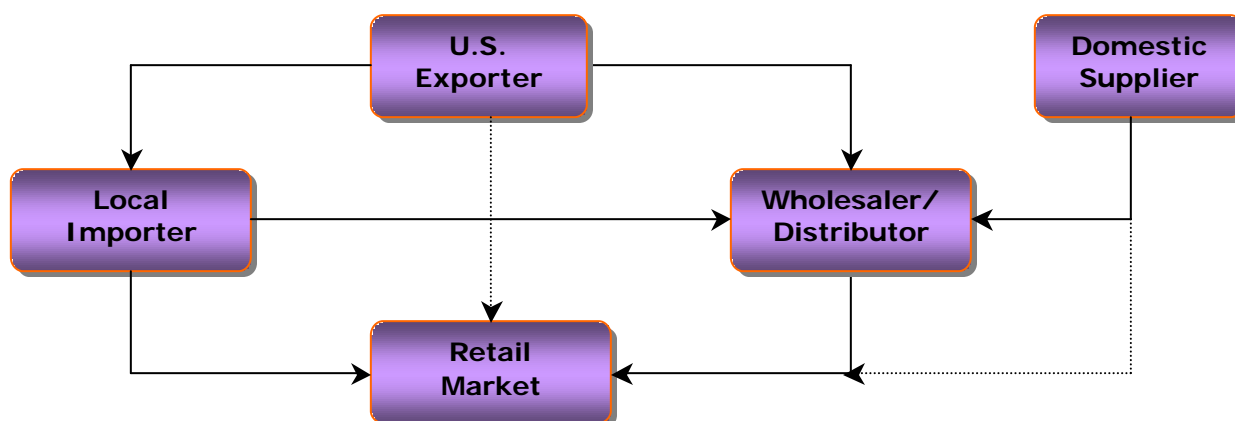
| Advantages | Challenges |
|---|---|
| <ul style="list-style-type: none"> ➤ Peru TPA will grant duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods. ➤ Proactive supermarket industry that will result in increased demand for high-value products. ➤ Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima. ➤ Appreciation for U.S. food quality and culture. ➤ Growing perception of retail outlets as cleaner, more convenient and time saving than traditional markets. ➤ People are becoming aware of diet, lite and healthy food products through the media. ➤ Income growth, especially of middle-class. | <ul style="list-style-type: none"> ➤ Consumers show a strong preference to buy fresh products in traditional markets. ➤ Supermarkets, the main source of imported food products, account for only 28 percent (in Lima) of retail market share. ➤ New local food brands appearing in the market at very low prices. ➤ Relatively small market due to limited purchasing power; 78 percent of Peruvian population are low-income consumers. ➤ Lack of brand awareness among consumers. ➤ A government-promoted campaign called "Buy Peruvian". ➤ Traditional markets dominate retail sales strongly in secondary cities. |

Section II. Road Map for Market Entry

1. Entry Strategy

- ❑ Supermarket chains constitute the main market for imported goods, targeting high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.
- ❑ U.S. exporters can approach Gas Marts, grocery and mom-and-pop stores through major local suppliers (wholesalers/distributors).
- ❑ Personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.
- ❑ The local partner should be able to provide updated information on market consumer trends to identify niche markets, and on current market development (merchandising, point of sale and promotion activities) and trade business practices.

2. Market Structure



- ❑ Negotiating power of major supermarkets towards food suppliers is strong.
- ❑ Major supermarket suppliers have wide range of distribution channels from fancy food, to food for mass consumption, aiming at mom and pop stores and open markets.
- ❑ Major food importers/distributors supply all major supermarket chains and province retailers. However, major supermarket chains usually request product exclusivity to new suppliers.
- ❑ Food is imported mainly in mixed containers.
- ❑ Major supermarket chains prefer to import expensive high-end products directly in order to save margins.

3. Supermarkets, Hypermarkets

A. Company Profiles

Profiles of Major Supermarkets Chains in 2007

| Retailer Name | Ownership | Sales (\$million) | Market Share (%) | No. of Outlets | Location | Purchasing Agent Type |
|------------------------|-----------|-------------------|------------------|----------------|-------------------------------------|---|
| CENCOSUD | Chile | 936 | 60% | 48 | Lima, Trujillo, Chiclayo, Cajamarca | Direct Importers, Local Food Processors and Producers |
| Supermercados Peruanos | Peru | 437 | 28% | 45 | Lima, Trujillo, Chiclayo, Arequipa | |
| Tottus | Chile | 187 | 12% | 5 | Lima, | |

Source: El Comercio y Gestion newspaper

Type of Outlets by Major Supermarket Chains in 2007

| Retailer | Type of outlets | Number of outlets |
|------------------------|-------------------------|-------------------|
| CENCOSUD | Supermarkets Wong | 14 |
| | Supermarkets Metro | 13 |
| | Hypermarkets Metro | 11 |
| | Supermercados El Centro | 6 |
| | Eco Almacenes | 7 |
| | American Outlet | 3 |
| Supermercados Peruanos | Vivanda | 5 |
| | Plaza Vea Super | 3 |
| | Supermarkets Super Vea | 7 |
| | Supermarket San Jorge | 1 |
| | Hypermarkets Plaza Vea | 19 |
| | Minisol / Mass | 11 |
| Tottus | Hypermarkets Tottus | 5 |

Source: El Comercio and Gestion newspapers

Direct Food Imports of Major Retailers (thousand dollars)

| Retailer | 2004 | 2005 | 2006 | 2007 |
|------------------------|-------|-------|-------|-------|
| CENCOSUD | 967 | 1,048 | 1,408 | 1,120 |
| Supermercados Peruanos | 2,015 | 3,610 | 2,529 | 1,600 |
| Tottus | 116 | 61 | 98 | 78 |

Source: Peru's Customs statistics

- ❑ Lima is the major market for consumer-oriented food and supermarket chains.
- ❑ Five to 8 percent of the consumer-oriented products sold in supermarkets are imported.
- ❑ Supermarkets chains have grown outside of Lima , reaching cities like Trujillo, Chiclayo and Arequipa.
- ❑ Peripheral areas around Lima offer supermarkets the potential to increase sales significantly. These fast growing areas are constituted mostly by low-income families, concerned about price and quite indifferent to brand names.
- ❑ Purchasing habits in the suburbs of Lima at supermarkets need to be further developed. Major Peruvian retailers provide transportation to and from hypermarkets to call attention to the advantages of purchasing from these outlets. This strategy has proven successful.
- ❑ Wong and Supermercados Peruanos have opened outlets in provinces. Wong has acquired small local supermarkets in Trujillo and Chiclayo, keeping their position in the high and middle-income sector
- ❑ Private labels currently account for only 10 percent of total sales at major retailers. However, the PTPA presents an opportunity for the United States to supply private labels to supermarket stores.

- ❑ More than 6,000 companies supply supermarket chains, 80 percent of which are local suppliers.
- ❑ In general, hypermarkets manage around 40,000 different products, supermarkets between 18,000 and 20,000 and smaller supermarkets 10,000.
- ❑ Between 15 to 20 percent of purchases in supermarkets are driven by in-store promotions or impulse buy.
- ❑ For 2008, supermarket chains plan to invest \$140 million in the opening or redesign of outlets.
- ❑ The three major supermarket chains support the “Buy Peruvian” government campaign, but they are open to importing new products.
- ❑ Peruvian consumers are showing a growing preference to purchase in supermarkets, which offer good service and products of superior quality and variety, presented in a clean, tidy and convenient location.
- ❑ Demand for low-fat and sugar-free products is growing, especially among high-end consumers, half of whom consider these products very important in their consumption habits.
- ❑ The level of imported food consumption in provinces is low. Major provincial cities include Arequipa, Trujillo (La Libertad), Chiclayo (Lambayeque), Piura, Cuzco and Cajamarca. Most market demand in these cities comes from tourism and high-income families of mining or agribusiness employees. Most of the imported food demanded is canned, packed or ready-to-eat.
- ❑ Retail market share of province supermarkets nationwide has increased to 10 percent in 2007.
- ❑ Most malls in Peru include supermarkets and department stores as anchor stores. In 2007, there were 14 commercial centers along the country, most of them in Lima. This sector projects \$1.5 billion of investments over the next two years, including 26 commercial centers and 80 supermarkets all over the country.
- ❑ There is a growing trend towards building small shopping malls called “power centers”. Power centers will expand in the near future due to lack of land in commercial areas of Lima and limited purchasing power of potential clients clustered in the surrounding areas.
- ❑ Future mall projects have been announced in provinces such as Real Plaza Huancayo, Estacion Central Cuzco, Plaza del Sol Ica, Power Center Arequipa, Megaplaza Arequipa, Aventura Plaza Arequipa, and others are currently being negotiated such as Power Center in Piura, Power Center in Chimbote, Open Plaza Tacna, Real Plaza Cuzco, Open Plaza Cuzco, etc.
- ❑ Lima projects in the next year include Parque el Golf, Open Plaza Surquillo, Power Center La Molina, Monterrico Plaza, etc, aimed at high and middle-income consumers, with Aventura Plaza Santa Anita, Megaproyecto la Polvora, Proyecto Av. Salaverry in crowded areas of mostly low-income consumers.

A.1. CENCOSUD Profile

On December 2007 Corporacion E. Wong was acquired by Chilean Cencosud (Centros Comerciales Sudamericanos), one of the largest companies in Latin America's retail sector. The agreement between these two important companies was to transfer the entirety of Wong's shares to Cencosud for \$500 million dollars as well as real estate assets including

commercial centers, 23 supermarkets and 17 more in the pipeline. Cencosud agreed to give 49.75 million shares to Wong shareholders, valued at 2000 Chilean pesos each (\$4.00 each share). The handover took place on January 31 of 2008.

- ❑ CENCOSUD will maintain the same five chain brands:
 - ✓ Supermarkets Wong: aimed at high-end consumers and offers customer oriented service. These outlets offer a variety of imported products depending on their location.
 - ✓ Supermarkets Metro: convenient prices and less personal service for the middle-end consumers.
 - ✓ Hypermarkets Metro: an almost self-service format for price sensitive low-income customers.
 - ✓ Eco Almacenes: discount grocery store.
 - ✓ American Outlet: department store.
- ❑ In 2007 Wong began expanding outside of Lima with the acquisition of the largest supermarkets chains in Trujillo (MERPISA) and Chiclayo (El Centro). MERPISA was transferred for \$7 million dollars, including 4 supermarkets, and El Centro for \$9 million dollars, including 6 supermarkets (3 in Chiclayo, 2 in Lambayeque and 1 in Cajamarca).
- ❑ Wong Supermarkets have a deep presence among Peruvian costumers. In fact, according to the VII Annual Survey of Executives conducted by Lima Chamber of Commerce (Oct-Nov 2007), Wong Supermarkets were preferred by 65% of respondents and were ranked first (20.4%) in the National Model Company category.
- ❑ In 2007 Wong sales almost reached 1 billion dollars.

A.2. Supermercados Peruanos Profile

- ❑ Supermercados Peruanos divides its points of sales into:
 - ✓ Supermarkets Vivanda: aimed at high-end consumers, offering customer oriented service.
 - ✓ Supermarkets Santa Isabel: aimed at the high and middle-income consumer, offering adequate customer service.
 - ✓ Super Vea: this brand new format may replace some of Santa Isabel stores offering a similar level of customer service.
 - ✓ Hypermarkets Plaza Vea: the target market is the middle-income consumer. It offers variety of products at convenient prices with lower customer service.
 - ✓ Mass: discount grocery stores offering a limited variety of mostly products for mass consumption, and is almost self-service.
- ❑ Investment for 2006 reached \$42 million, spent on the conversion of Supermarkets Santa Isabel into Plaza Vea Super; new Plaza Vea Hypermarkets in Lima, Trujillo, Chiclayo and Arequipa; and one Mass store format and one Plaza Vea Super in Lima
- ❑ For 2008, Supermercados Peruanos plans to continue redesigning and changing formats in its stores.
- ❑ Supermercados Peruanos' growth rate was 20% with respect to 2006.
- ❑ Private label "Bell's" accounts for only 4 percent of total sales, with around 350 products that are mainly produced by Peruvian small companies.

A.3. Tottus Hypermarkets Profile

- ❑ Tottus is owned by the Chilean retailer Saga Falabella.
- ❑ For imported products, Tottus is supplied by the same sources (retailer importers, wholesalers or distributors) as its competition.
- ❑ Tottus currently owns five outlets in Lima.
- ❑ Tottus growth rate was 15% with respect to 2006.
- ❑ They are planning to open 12 or 15 more supermarkets in 2008, representing an investment of \$60 million.

B. Local Consumer Profile

- ❑ Local consumers perceive imported products as providing more variety while viewing local products as a source of employment. However, only one third of total consumers care about product origin.
- ❑ Consumers will prefer local products if they are viewed as a quality product at an affordable price.
- ❑ Supermarket clientele in Lima can be divided into two groups: high and middle-income consumers (socio-economic levels A and B) and low-income consumers (socio-economic levels C, D and E).
- ❑ Supermarket market share for high and middle-income consumers is 90 percent. Supermarket expansion plans are aimed specifically at socio-economic level C.
- ❑ The weekly average expenditures for high and middle class consumers is \$90, while it is \$10 for low-income consumers. However, low-income consumers are considered to have high growth potential because they are more than three times the number of high-end consumers.
- ❑ Heavy users represent 80 percent of purchases for supermarkets and can spend up to \$155 per visit. Impulse buys can reach 30%-40% of supermarket sales.
- ❑ The average income per family has grown 39 percent between 2001 and 2006.

| Characteristics | High and Middle income consumer | Low-income consumer |
|-------------------------------------|---------------------------------|--|
| Population in Lima city | 1.8 million | 6.2 million |
| Number of families | 0.4 million | 1.4 million |
| Monthly family income | 1,120 dollars | 250 dollars |
| Monthly food expenses | 280 dollars | 120 dollars |
| Normal place to buy food | Supermarkets 58.3% | Open markets: 72.7% |
| Frequency of supermarket attendance | Once a week. | Preferences for daily visits to open markets or small stores. Supermarket visits once a month. |

Sources: Based on Statistics yearbook "Peru en Numeros 2007"

4. Convenience Stores and Gas Marts

A. Sub-Sector Profile

- ❑ Gas stations in Peru offer beverages, snacks and a wide variety of processed foods in small stores.
- ❑ Sales structure is as follows: liquor (40 percent), soft drinks (15 percent), snacks (15 percent), tobacco (20 percent), and other (10 percent).
- ❑ Although purchases of imported products are limited, there is a niche market for U.S. snacks and wines and liquors at Gas Marts, mainly frequented by high and middle-income consumers on weekends.

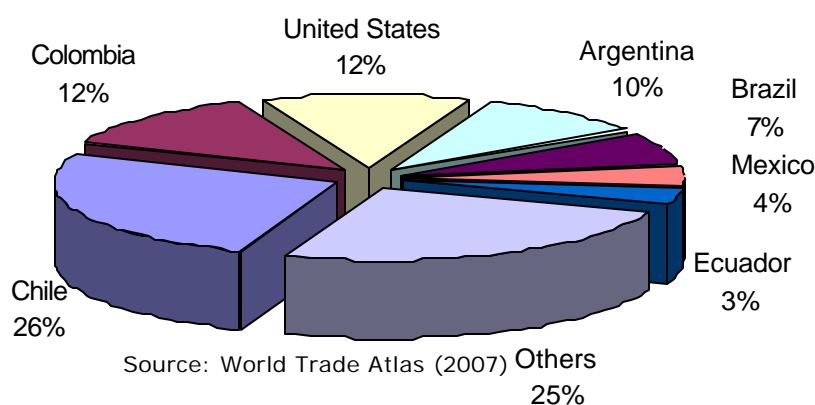
5. Traditional Markets

A. Sub-sector Profile

- ❑ Traditional markets in Peru include 200,000 grocery stores and 2,500 open markets. Lima has 50,000 grocery stores and almost 1,250 of the open markets.
- ❑ Open markets are very popular among Peruvians, mainly for buying fresh fruits and vegetables and meats at lower prices.
- ❑ Traditional markets offer limited opportunity for sales of high-end imported goods. Most food products sold in traditional markets (open markets, street vendors and grocery stores) are locally produced or perishable and cheaper, aimed at low-income consumers.
- ❑ In order to face supermarket competition, twenty open markets in Lima joined together under a brand called "Networking Market". They intend to improve infrastructure and customer service as well as join supply sources.
- ❑ The open market distribution is dominated by 25 major companies.

Section III. Competition

Imports of Consumer-Oriented Agricultural Products in Peru by Country-of-Origin (2007)



- ❑ Peru gives tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- ❑ Peru's trade policy is oriented to open markets. Peru has signed an Economic Complementation Agreement (ECA) with MERCOSUR, a major U.S. competitor in bulk commodities and meats, exempting dairy products from the negotiations. Peru recently expanded its ECA with Chile, Peru's major supplier of food and agricultural goods, and is negotiating the extension of its ECA with Mexico. Peru finished negotiating a free trade agreement with Thailand and is currently negotiating a free trade agreement with Singapore. Peru is also seeking a free trade agreement with the E.U and China.
- ❑ The PTPA will reinforce U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated among the high-end consumers. Imported food products have tariff rates that range between 0 and 17 percent.
- ❑ Peru is looking forward the implementation of TPA agreement which will allow lower or duty free tariffs for many food and agricultural products. For a complete list of products that will be benefited from the TPA, please check http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html.

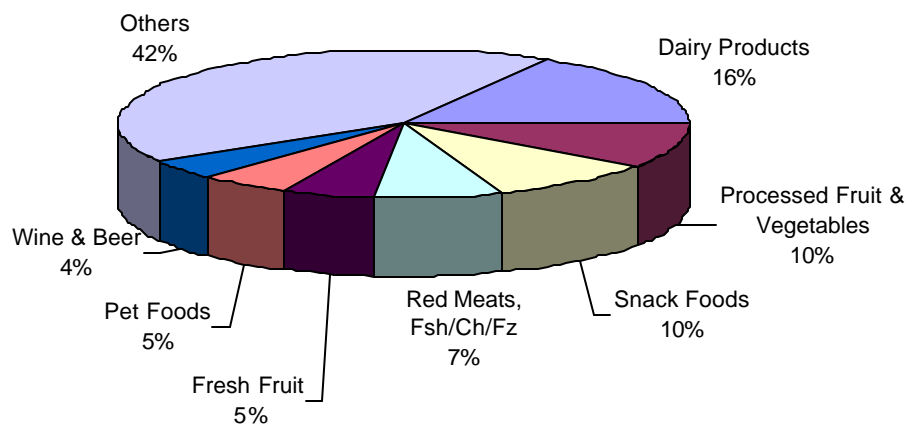
Competitive Situation facing U.S. Suppliers in the Retail Market in 2007

| Product Category/ Net Imports | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|---|---|---|---|
| Dairy Products 34,790 tons (\$83.19 million) | Ireland: 16% U.S.: 13% Chile: 13% Mexico: 10% Argentina: 1% | - Ireland is major supplier of dairy ingredients | - Only two companies are major producers of evaporated milk and yogurt. - Local homemade cheeses are commonly sold. |
| Snack Foods 27,000 tons (\$45.2 million) | Colombia: 36% Ecuador: 18% Argentina: 14% U.S.: 9% Chile: 8% | - Tariff preferences applied to neighbor countries. | - Local producers are major food processors. They import food ingredients for snacks and also snacks in bulk. |
| Processed Fruits and Vegetables 45,000 tons (\$47.4 million) | Chile: 48% U.S.: 9% Germany: 9% Netherlands: 8% Argentina: 5% | - Chile sells at cheaper prices due to proximity and tariff preferences. - E.U. products are positioned as being of good quality. | - Local processors are major exporters, but their local supply is limited |
| Fresh Fruits 37,545 tons (\$24.8 million) | Chile: 97% U.S.: 2% | - Chile is the main supplier because of proximity, price and duty free entrance. | - There is an open window from November to February for the U.S. - Local fruit sold at retail market is of lower quality. |
| Fruit and vegetable juices 691 tons (\$ 1.9 million) | U.S.: 45% Brazil: 37% Chile: 11% | - Chile has advantages of tariffs and proximity. | - Local brands are well positioned in the market at competitive prices. |

| | | | |
|---|--|--|--|
| Wine and Beer 10,586 liters (\$20.6 million) | Argentina: 38% Chile: 28% Spain: 13% Brazil: 6% Italy: 5% France: 4% Germany: 2% U.S.: 2% | - Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer. | - Major local breweries are well positioned, price competitive and belong to international companies, representing 95% of the market. - Local wine is well positioned and price competitive, but does not satisfy demand. |
| Red Meats (fresh, chilled or frozen) 26,118 tons (\$32.7 million) | Argentina: 33% Brazil: 26% Paraguay: 19% U.S.: 8% Bolivia: 7% Chile: 4% | - Major imports come from nearby countries. | - Peru's market for the U.S. reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offals than meats. - Local meat does not satisfy the demand. |
| Red Meats (prepared, preserved) 1,100 tons (\$3.5 million) | Chile: 34% Bolivia: 12% Brazil: 12% Spain: 10% Argentina: 10% Italia: 9% Denmark: 5% U.S.: 3% | - Chile has the advantages of tariff preferences and proximity. | - There pork products industry that also imports prepared meats. - U.S. product tariffs will go down from 5 to 7 years linear. |
| Poultry Meat 10,974 tons (\$9.7 million) | Brazil: 46% Chile: 26% Argentina: 13% Bolivia: 9% U.S.: 7% | - U.S. poultry product imports reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts. | - Local poultry producers are major suppliers with good distribution channels. - Imports are mainly chicken and turkey parts. |

Section IV. Best Product Prospects

Imports of Consumer-Oriented Agricultural Products in Peru by Product (2007)



Source: World Trade Atlas, 2006

A. Products Present in the Market Which Have Good Sales Potential:

| Product/ Product Category | Market Size 2007 est. | Imports 2006 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|---|--|--|--|--|---|---|
| Cheese (HS 0406) | 13,527 tons | 1,829 tons (\$7.36 million) | 4.92% | 040610, 20 and 40 9% 040630 040690 0% TPA: * | - Neighbor countries are U.S. competitors: Argentina (19%) and Uruguay (14%). - Strong preference for E.U. cheese at the high-end HRI and Retail Sectors. | - U.S. cheeses are mainly used in the Food Processing Sector, but with potential in HRI and Retail Food Sectors. - In 2007, U.S. was the first supplier with 34% market share, growing 3% respect 2006 - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year. |
| Confection ary – non chocolate (HS 1704) | \$95 million | 12,817 tons (\$26 million) | 13.4% | 9% TPA: * | - Major suppliers are neighbors: Colombia and Ecuador. - Local industry is strong. Major owners are foreign companies. | - U.S. represents 2% of total imports, however, U.S. imports grew 35% respect 2006 - TPA*: Duty free on entry into force. |
| Confection ary – chocolate (HS 1806) | \$71 million | 2,647 tons (\$9 million) | 6.1% | 9% TPA: * | - Chile is the major supplier (29%). - Local industry is competitive. | - The U.S. is the second major supplier with 24%. The U.S. strength is in chocolate for the retail sector. - TPA*: Duty free on entry into force. |
| Apples and Pears (HS 0808) | 157 million tons (\$33,200 million) | 32,990 tons (22 million) | 10.17% | 9% TPA: * | - Chile is the major supplier with 98% of market share. - U.S. holds the remaining 2%. | - There is an opportunity window for the U.S. between November and February. - TPA*: Duty free on entry into force. |
| Grapes, fresh (HS 080610) | 169 million tons (\$49,900 million) | 1617 tons (\$1 million) | 12.01% | 9% TPA: * | - Local production is strong. - Chile is a major importer (92%). - Low imports. | - U.S. window: September to December. - In 2007, U.S. market share reached 8%. U.S. import has growth 117% respect 2006 - TPA*: Duty free on entry into force. |
| Prime and choice beef (HS 020230) | Total beef and offals market: 209,000 tons (\$15 million) | 1,572 tons (\$4.7 million) | 7.6% | 17% TPA: * | - Competes with quality meats from Bolivia, Argentina and Brazil. | - U.S. market for all beef and beef products opened in October 2006. - TPA*: Duty free on entry into force. |

| Product/ Product Category | Market Size 2007 est. | Imports 2007 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|--|---|---|--------------------------|---|--|
| Edible Beef Offals (HS 020621, 020622) | Total beef and offals market: 209,000 tons (\$15 million) | 3,306 tons (\$2.8 million) | HS 020621 10.5% HS 020622 1.62% | 0% TPA: * | - Major suppliers are Paraguay (30.2%), Brazil (3.1%) and Argentina (17%). | - U.S. holds 73% of liver import (020622) - TPA*: 12 years linear, 800 MT quota with 6 percent increase. |
| Fruit and Vegetable juices (HS 2009) | N/A | 691 tons (\$2 million) | 16% (Improving) | 9% TPA: * | - Major suppliers are the U.S. (44%), Brazil (37%), and Chile (11%). | - TPA*: Duty free on entry into force, 5 and 10 years linear depending on the product. |
| Pet foods (HS 230910) | 38,000 MT | 10,306 MT (\$9 million) | 14.5% | 0% | - Growing local pet industry. - There is an informal industry arising. - Argentina (38%) Colombia (26%) and Brazil (12%) are major competitors. | - U.S. holds 21% of market share increasing 86% respect - TPA*: duty free on entry into force, or 5 years linear for canned pet food. |
| Pasta (HS 1902) | 300,000 tons | 627 tons (\$0.8 million) | 17% | 0% TPA: * | - Major suppliers are Italy (30%), Chile (30%), China (18%) and the U.S. (18%). | - TPA*: duty free on entry into force or 5 years linear. |
| Turkey (HS 020725, 020726, 020727) | 18,900 tons | 3,230 tons (3.7 million) | HS 020725 1.4% HS 020726 0.5% HS 020727 9.6% | 9% TPA: * | - Major exporters are Brazil (63%) and Chile (36%) followed by the U.S. with 1.4%. - Local poultry industry is strong. | - Peruvians are major consumers of turkey at Christmas and New Year season. - TPA*: 5 years linear. |
| Poultry meat cuts (HS 020711, 020712) | \$1,230 million | 4,670 tons (\$4.3 million) | 58% (Uneven growth) | 9% TPA: * | - Strong local industry. - Argentina (30%), Brazil (47%) and Bolivia (215%) are major exporters. | - Peruvians are major consumers of poultry. - TPA*: 10 years linear. |

| Product/ Product Category | Market Size 2007 est. | Imports 2007 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|---|---|--|--------------------------|---|--|
| Bread, pastry, cookies (HS 1905) | Cookies (\$172 million) Bread and Pastry (802,000 tons) | 2,820 tons (\$5.6 million) | 5.56% | 0% TPA: * | - Major suppliers are Chile (18%), Colombia (16%), Ecuador (15%) and the U.S. (13%) | - TPA*: duty free on entry into force, 3 or 5 years linear. |
| Sauces, soups & broths (HS 2103, 2104) | N/A | 6,100 tons (\$8.9 million) | HS 2103 8.32% HS 2104 3.68% | 9% TPA: * | - Major suppliers are the U.S. (28%), China (23%), Chile (13%) and Colombia (12%). | - TPA*: duty free on entry into force except for soy sauce and mustard (5 years linear) |
| Wine (HS 2204) | 20 million liters | 7.4 million liters (\$18.2 million) | 13% | 9% TPA: * | - Argentina (43%), Chile (31%), and Spain (14%) are major exporters. - Strong promotions. - Only regular wine consumers recognize U.S. wine quality. | - Local industry has 52% of market share. - There is a niche market for quality wines on which the U.S. can be appreciated and price competitive. - Peru's wine consumption is growing. - TPA*: 3 to 5 years linear. |

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

B. Products not Present in Significant Quantities, but which have good sales Potential:

| Product/ Product Category | Imports 2007 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|---|--------------------------------------|--|--------------------------|---|--|
| Chicken leg quarters (HS 020713, 020714) | 3,004 tons (\$1.6 million) | 4.0% | 9% TPA: * | - Strong Poultry industry in Peru. - U.S. competitor is Chile (57%), | - TPA*: 17 years linear, 12,000 MT quota with 8 percent increase; for mechanically deboned meat (MDM), 3 years linear. - The sausage industry demands the product as a lower cost ingredient. - Opened market for the U.S. since April 2006. In 2007 U.S. holds 37% of share market |

| Product/ Product Category | Imports 2007 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|----------------------------------|--|--------------------------|---|---|
| Peaches, cherries and Nectarines (HS 0809) | 1,756 tons (\$1.1 million) | 9.4% | 9% TPA: * | - Chile is major supplier with 99% of market share. | - Importer's interest for U.S. peaches and nectarines. - TPA*: Duty free on entry into force. |
| Nuts and almonds (HS 0802) | 182 tons (\$06 million) | 22.7% | 9% TPA: * | - Chile (91%) is the major supplier. - U.S. exports to Peru are very small (1%). | - Importers recognize that U.S. quality of nuts and almonds is better than Chile's. - TPA*: Duty free on entry into force except for chestnut (5 years linear). |
| Grapes, raisins (HS 080620) | 5,536 tons (\$6 million) | 14% | 9% TPA: * | - There are no significant imports from the U.S. - Chile holds almost 100% of the market. | - U.S. window: September to December. - TPA*: Duty free on entry into force. |
| Citrus (HS 0805) | 79 tons (\$0.08 million) | -15.3% | 9% TPA: * | - Chile is the major supplier 59% - U.S. holds the 41% of the share market | - Recognized quality of U.S. oranges and tangerines. - Export window for the U.S. is from January to March. - TPA*: Duty free on entry into force or 5 years linear |
| Other fresh fruit (HS 0810) | 613 tons (\$05 million) | 37.4% | 9% TPA: * | - Chile is almost the only supplier. - Imports are mainly kiwi. | - The TPA will open opportunities for the U.S. not only to export kiwis but also cranberries (very well accepted in juice), strawberries, etc. - TPA*: Duty free or 5 years linear |
| Pork Meat (HS 0203) | 833 tons (\$1.1 million) | 88% | 9% TPA: * | - Peruvians are not used to eating pork. Local industry more than 100,000 tons - The industry is the same as poultry's. - Chile is the only supplier. | - Pork imports are growing. - U.S. pork will benefit from the TPA implementation. - TPA*: 5 years linear |
| Sausages (HS 1601) | 410 tons (\$0.74 million) | 8.1% | 9% TPA: * | - Major exporters are Chile (57%), Spain (18%), Italy (9%) and Denmark (8%). | - There is a high-end segment for gourmet sausages, where the U.S. can compete. - TPA*: 5 years linear. |

| Product/ Product Category | Imports 2007 | Average Annual Import Growth (2002-07) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|--|--|--------------------------|---|---|
| Ham, processed HS 160241, 160242 | 36 tons (\$0.32 million) | HS 160241 0.33% HAS160242 1.3% | 9% TPA* | - Major suppliers are Spain (48%) and Italy (21%). | - The U.S. has quality to introduce products in the gourmet market - TPA: 7 years linear |
| Beer (HS 2203) | 2,924 liters (\$2.0 million) | 113% | 9% | - Local breweries are very strong, owned by international companies. - Local breweries produce and import new brands to introduce them in the market. | - Niche market for premium beers. - Growing consumption of beer (35 lts per capita) - TPA: Duty free on entry into force |

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

C. Products not Present because they Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

If you have any question or comments regarding this report or need assistance exporting to Peru, please contact the Foreign Agricultural Service in Lima at the following address:

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For further information, check the FAS web site www.fas.usda.gov or our web site www.usdaperu.org.pe. Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and HRI Food Service Sector.